

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05  
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02  
OMB-01 AS-01 /086 W  
-----016913 120855Z /23

R 120658Z JUL 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2210

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PASS USDA/FAS/MCCONNELL, SUGAR & TROPICAL PRODS, FCA

E. O. 11652: NA

TAGS: EAGR, RP

SUBJECT: PRESIDENT MARCOS ANNOUNCES CUT IN SUGAR PRODUCTION

1. THREE OF THE FOUR LEADING MORNING NEWSPAPERS HEADLINED ARTICLES ABOUT A DECLINE IN NEXT YEAR'S SUGAR PRODUCTION. THE BUSINESS DAY HEADLINE STATED QUOTE RP TO CUT SUGAR OUTPUT BY AS MUCH AS 30 0/0 UNQUOTE AND THE ARTICLE BEGAN BY SAYING THAT QUOTE THE GOVERNMENT HAS DECIDED TO REDUCE SUGAR PRODUCTION BY 15 TO 30 PERCENT FROM RECENT LEVELS. THE NEW POLICY WAS ANNOUNCED BY PRESIDENT MARCOS YESTERDAY UNQUOTE. THE ARTICLE WENT ON TO SAY THAT QUOTE THE PHILIPPINES WITHOUT WAITING FOR THE INTERNATIONAL AGREEMENT, HAS NOW ADOPTED THE POLICY OF REDUCING THE PRODUCTION FO SUGAR UNQUOTE. THE PRESIDENT ESTIMATED THAT SUGAR PRODUCTION WOULD FALL TO 2.20 MILLION MT NEXT YEAR. THE DAILY EXPRESS REPORTS QUOTE THE RATION-ALIZATION OF THE SUGAR INDUSTRY WAS EMHAPSIZED BY THE PRESIDENT UNQUOTE.

2. COMMENT: THE ARTICLE GIVE THE IMPRESSION THAT THE GOVERNMENT HAS TAKEN THE INITIATIVE TO CUT PRODUCTION QUOTE TO RENDER MORE LIMITED OFFICIAL USE

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EFFICIENT ALL ASPECTS OF THE SUGAR INDUSTRY UNQUOTE. IN ACTUALITY OF COURSE, THE GOVERNMENT HAS MERELY RECOGNIZED THAT PRODUCTION WILL DROP AGAIN NEXT YEAR AND IS ATTEMPTING TO MAKE IT APPEAR AS IF THE CUTBACK IS PART OF A GOVERNMENT PLAN TO QUOTE UPLIFT THOSE INVOLVED IN THE INDUSTRY UNQUOTE. THE MAJORITY OF NEXT YEAR'S (1977-78) SUGAR CANE CROP HAS BEEN PLANTED FOR SEVERAL MONTHS. AGATT REPORTED IN PH7016 IN MAY THAT SUGAR PRODUCTION

WOULD DROP TO 2.25 MILLION MT FROM AN ESTIMATED PRODUCTION OF 2.55 MILLION MT THIS YEAR, A 12 PERCENT DECLINE.

FOR THE PAST SEVERAL YEARS, THE GOVERNMENT (PHILEX) HAS BEEN DISCOURAGING SUGARCANE PRODUCTION BY PAYING LOW COMPOSITE PRICES AND PRODUCTION LOANS. THIS IS CAUSING THE EXPECTED DROP IN PRODUCTION NEXT YEAR. HOWEVER, THE GOVERNMENT DOES NOT DIRECTLY CONTROL SUGARCANE PRODUCTION AND TO SAY THAT THERE IS QUOTE NEW POLICY UNQUOTE OR DECISION TO AID THE INDUSTRY IS AN EXAGGERATION.

THE PRESIDENT MADE THESE COMMENTS SHORTLY BEFORE ADMINISTERING THE OATH OF OFFICE TO AMBASSADOR BENEDICTO AS CHAIRMAN OF THE NEWLY ACTIVATED PHILIPPINE SUGAR COMMISSION (PSC). HOPEFULLY, THE PSC WILL NOT BECOME A FORUM FOR THE GOVERNMENT'S POLITICAL ANNOUNCEMENTS.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Subject:** PRESIDENT MARCOS ANNOUNCES CUT IN SUGAR PRODUCTION  
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**Review Markings:**  
Margaret P. Grafeld  
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